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Message Text

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S E C R E T STATE 306303

FOL RPT STATE 306303 ACTION PARIS BONN TOKYO JIDDA LUXEMBOURG
BRUSSELS ROME COPENHAGEN OSLO ABU DHABI THE HAGUE KUWAIT
TEHRAN DUBLIN STOCKHOLM LONDON GENEVA OTTAWA CANBERRA
WELLINGTON 17 DEC 76 QUOTE

S E C R E T STATE 306303

E.O. 11652:

TAGS:PDEV, EGEN, RH

SUBJECT: TEXTS OF LETTERS AND DOCUMENTATION ON ZIMBABWE
DEVELOPMENT FUND
REF: STATE 304674
1. EMBASSIES OF ACTION ADDRESSEE CAPITALS WILL BE RECEIV-
ING BY POUCH THE FOLLOWING DOCUMENTS:

-- A JOINT U.S.-U.K. LETTER FROM SECRETARIES KISSINGER AND
CROSLAND ON THE ZIMBABWE DEVELOPMENT FUND;

-- A JOINT PAPER PRESENTING THE PROPOSAL FOR THE FUND;

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-- ANNEX 1 TO T;E PROPOSAL ENTITLED, THE ZIMBABWE ECONOMY;
AND
-- ANNEX 2 TO THE PROPOSAL ENTITLED, THE ZIMBABWE DEVELOP-
MENT FUND: POSSIBLE PROGRAM AREAS.

2. INSTRUCTIONS FOR PRESENTATION OF THESE DOCUMENTS ARE
CONTAINED IN SEPTEL TO ACTION ADDRESSEES. PARALLEL PRE-

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SENTATIONS OF SOME DOCUMENTS BY THE BRITISH WILL TAKE PLACE IN OTTAWA, CANBERRA, AND WELLINGTON. IN CASE DOCUMENTS DO NOT ARRIVE IN TIME FOR PRESENTATION, WE ARE TRANSMITTI;G VIA THIS CABLE THE TEXT OF THE FOUR DOCUMENTS. NO REPEAT NO PRESENTATION OR DISCUSSION WITH

GOVERNMENTS SHOULD OCCUR, HOWEVER, UNLESS AND UNTIL INSTRUCTIONS ARE RECEIVED.
BEGIN CONFIDENTIAL.
3. BEGIN TEXT OF JOINT LETTER:
DEAR (USE APPROPRIATE TITLE):
-- RECENT EVENTS LEAD US TO BELIEVE THAT A PEACEFUL SETTLEMENT OF THE RHODESIAN PROBLEM IS NOW POSSIBLE. THE ACCEPTANCE OF MAJORITY RULE BY THE SMITH REGIME AND THE CONVENING OF THE GENEVA CONFERENCE WERE MAJOR STEPS FORWARD. WHILE THERE ARE STILL MAJOR PROBLEMS TO OVERCOME, WE ARE HOPEFUL THAT AGREEMENT ON AN ACCEPTABLE SETTLEMENT CAN BE REACHED.

-- THERE CAN BE NO DOUBT THAT THE ALTERNATIVE TO A NEGOTIATED SETTLEMENT IS INCREASED RACIAL TENSION LEADING TO FURTHER BLOODSHED. A CIVIL WAR IN RHODESIA IS UNLIKELY TO BE CONFINED TO THAT COUNTRY. A RHODESIAN CONFLICT WOULD BE A THREAT TO PEACE AND STABILITY IN THE WHOLE OF SOUTHERN AFRICA.

-- A SUCCESSFUL NEGOTIATION WOULD OPEN UP MANY OPPORTUNITIES TO IMPROVE THE GENERAL WELFARE AND ECONOMIC SECURITY OF THE PEOPLE OF RHODESIA. WE BELIEVE THAT AN INTER-
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NATIONAL ECONOMIC EFFORT SUPPORTED BY THE WORLD'S MAJOR POWERS, CAN MAKE A VITAL CONTRIBUTION TO THE PROGRAMS OF THE INTERIM AND INDEPENDENT GOVERNMENTS OF RHODESIA, ENABLING THEM TO REALIZE DEVELOPMENT OPPORTUNITIES AND CONDUCT AN ORDERLY RESTRUCTURING OF THE ECONOMY. SUCH AN EFFORT WOULD BE DESIGNED TO IMPRESS BOTH AFRICANS AND EUROPEANS THAT THEY HAVE MUCH TO GAIN IN COOPERATING IN THE FUTURE DEVELOPMENT OF ZIMBABWE.

-- THE UNITED STATES AND THE UNITED KINGDOM HAVE BEEN ENGAGED IN DISCUSSIONS TO ELABORATE THIS PROPOSAL FOR AN INTERNATIONAL FUND. IT WOULD SEEK TO DRAW TOGETHER INTERNATIONAL FINANCIAL SUPPORT TO ASSIST A FUTURE ZIMBABWE GOVERNMENT TO PROMOTE ECONOMIC AND SOCIAL DEVELOPMENT, EXPANSION OF TRAINING AND EMPLOYMENT OPPORTUNITIES FOR AFRICANS, AND ECONOMIC SECURITY FOR ALL SECTORS OF THE RHODESIAN POPULATION. WE ENCLOSE A DESCRIPTION OF THE PROPOSE
FUND WITH AN ACCOUNT OF THE AREAS IN WHICH IT

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WOULD FUNCTION. YOU WILL SEE THAT PARAGRAPH 9 DEALS WITH THE CONTRIBUTIONS TO THE FUND WHICH WILL BE MADE BY OUR TWO GOVERNMENTS. WE ENVISAGE THAT ANY CONTRIBUTIONS BY PARTICIPATING GOVERNMENTS WOULD BE DEPENDENT ON BOTH THE INTERIM AND THE INDEPENDENT GOVERNMENTS OF RHODESIA ACCEPTING RESPONS-BILITY FOR HONORING THEIR INTERNATIONAL FINANCIAL OBLIGATIONS.

-- WE ARE APPROACHING A LIMITED NUMBER OF GOVERNMENTS TO CONTRIBUTE TO THE IMPORTANT POLITICAL AND ECONOMIC PUR-POSES IN MIND, ON A BASIS TAKING ACCOUNT OF HISTORICAL CONNECTIONS WITH AFRICA, RELATIVE GROSS NATIONAL PRODUCT, ABILITY TO FIND THE NECESSARY RESOURCES, AND READINESS TO CONTRIBUTE TO THE SOLUTION OF THE ECONOMIC PROBLEMS OF THE DEVELOPING WORLD. WE THEREFORE VERY MUCH HOPE THAT YOUR GOVERNMENT WILL SERIOUSLY CONSIDER PARTICIPATING IN THIS FUND. WE ARE SURE THAT THIS WILL GREATLY INCREASE
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ITS EFFECTIVENESS AND ENHANCE ITS APPEAL TO A FUTURE GOVERNMENT OF ZIMBABWE. (NOTE TO TYPISTS: THE SENTENCE TH FOLLOWS "ZIMBABWE" IS DELETED AS IT CHANGES IN EACH LETTER. SEE INSTRUCTIONS BELOW). APPROACHES ARE BEING MADE IN PARALLEL TO THE FOLLOWING GOVERNMENTS: THE MEM-BER STATES OF THE EUROPEAN COMMUNITY, AUSTRALIA, CANADA, IRAN, JAPAN, KUWAIT, NEW ZEALAND, NORWAY, SAUDI ARABIA, SWEDEN, AND THE UNITED ARAB EMIRATES.

-- WE SHOULD LIKE, IF THIS IS ACCEPTABLE TO YOU, TO FOLLOW THIS LETTER AS SOON AS POSSIBLE WITH MORE DETAILED DIS-CUSSIONS WITH YOUR GOVERNMENT, THROUGH THE DIPLOMATIC CHANNEL OR BY MEANS OF A SPECIAL MISSION TO YOUR COUNTRY.

-- WE WOULD OF COURSE WELCOME ANY SUGGESTIONS YOU MAY HAVE AS TO HOW THE PROPOSALS FOR THE FUND MIGHT BE IMPROVED. AT A LATER STAGE WE HAVE IN MIND THAT IT WILL BE NECESSARY TO CONVENE A MEETING OF POTENTIAL PARTICI-PANTS TO DISCUSS HOW THE FUND SHOULD BE ESTABLISHED.

-- BEST REGARDS, (SIGNED) HENRY A. KISSINGER
ANTHONY CROSLAND, M.P. END TEXT OF JOINT LETTER.
END CONFIDENTIAL.
FOR PARIS: HIS EXCELLENCY LOUIS DE GUIRINGAUD, MINISTER OF FOREIGN AFFAIRS OF THE FRENCH REPUBLIC, PARIS.
SENTENCE IN PARAGRAPH 5 SHOULD READ: "WE WOULD LIKE TO THINK YOUR GOVERNMENT WOULD BE WILLING TO CONSIDER A SHARE OF THE ORDER OF TEN PERCENT IN THE TOTAL OF THE FUND. APPROACHES . . ."

FOR TOKYO: HIS EXCELLENCY ZENTARO KOSAKA, MINISTER OF

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FOREIGN AFFAIRS OF JAPAN, TOKYO. SENTENCE IN PARAGRAPH 5 SHOULD READ: "WE WOULD LIKE TO THINK YOUR GOVERNMENT WOULD BE WILLING TO CONSIDER A SHARE OF THE ORDER OF TEN PERCENT IN THE TOTAL OF THE FUND. APPROACHES . . ."

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FOR BONN: HIS EXCELLENCY HANS-DIETRICH GENSCHER, MINISTER OF FOREIGN AFFAIRS OF THE FEDERAL REPUBLIC OF GERMANY, BONN. SENTENCE IN PARAGRAPH 5 SHOULD READ: "WE WOULD LIKE TO THINK YOUR GOVERNMENT WOULD BE WILLING TO CONSIDER

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A SHARE OF THE ORDER OF TEN PERCENT IN THE TOTAL OF THE FUND. APPROACHES . . ."

FOR LUXEMBOURG: HIS EXCELLENCY GASTON THORN, PRIME MINISTER OF LUXEMBOURG, LUXEMBOURG. SENTENCE IN PARAGRAPH 5 SHOULD READ: "WE WOULD LIKE TO THINK YOUR GOVERNMENT WOULD BE WILLING TO CONSIDER A CONTRIBUTION TO THE FUND. APPROACHES . . ."

FOR BRUSSELS: HIS EXCELLENCY RENAAT VAN ELSLANDE, MINISTER OF FOREIGN AFFAIRS AND DEVELOPMENT COOPERATION OF BELGIUM, BRUSSELS. SENTENCE IN PARAGRAPH 5 SHOULD READ: "WE WOULD LIKE TO THINK YOUR GOVERNMENT WOULD BE WILLING TO CONSIDER A SHARE OF THE ORDER OF TWO PERCENT IN THE TOTAL OF THE FUND. APPROACHES . . ."

FOR ROME: HIS EXCELLENCY ARNALDO FORLANI, MINISTER OF FOREIGN AFFAIRS OF THE ITALIAN REPUBLIC, ROME. SENTENCE IN PARAGRAPH 5 SHOULD READ: "WE WOULD LIKE TO THINK YOUR GOVERNMENT WOULD BE WILLING TO CONSIDER A SHARE OF THE ORDER OF THREE PERCENT IN THE TOTAL OF THE FUND. APPROACHES . . ."

FOR JIDDA: HIS ROYAL HIGHNESS PRINCE SAUD AL-FAISAL BIN ABD AL-AZIZ, MINISTER OF FOREIGN AFFAIRS OF SAUDI ARABIA, JIDDA. SENTENCE IN PARAGRAPH 5 SHOULD READ: "WE WOULD LIKE TO THINK YOUR GOVERNMENT WOULD BE WILLING TO CONSIDER A CONTRIBUTION IN THE ORDER OF TEN MILLION DOLLARS PER YEAR TO THE FUND. APPROACHES . . ."

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FOR COPENHAGEN: HIS EXCELLENCY KNUD BORGE ANDERSEN,

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MINISTER OF FOREIGN AFFAIRS OF DENMARK, COPENHAGEN. SENTENCE IN PARAGRAPH 5 SHOULD READ: "WE WOULD LIKE TO THINK YOUR GOVERNMENT WOULD BE WILLING TO CONSIDER A SHARE OF THE ORDER OF ONE PERCENT IN THE TOTAL OF THE FUND. APPROACHES . . ."

FOR OSLO: HIS EXCELLENCY KNUT FRYDENLUND, MINISTER OF FOREIGN AFFAIRS OF NORWAY, OSLO. SENTENCE IN PARAGRAPH 5 SHOULD READ: "WE WOULD LIKE TO THINK YOUR GOVERNMENT WOULD BE WILLING TO CONSIDER A SHARE OF THE ORDER OF ONE PERCENT IN THE TOTAL OF THE FUND. APPROACHES . . ."

FOR ABU DHABI: HIS EXCELLENCY AHMAD KHALIFA AL-SAWAYDI, MINISTER OF FOREIGN AFFAIRS OF THE UNITED ARAB EMIRATES, ABU DHABI. SENTENCE IN PARAGRAPH 5 SHOULD READ: "WE WOULD LIKE TO THINK YOUR GOVERNMENT WOULD BE WILLING TO CONSIDER A SHARE OF THE ORDER OF ONE PERCENT IN THE TOTAL OF THE FUND. APPROACHES . . ."

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FOR THE HAGUE: HIS EXCELLENCY MAX VAN DER STOEL, MINISTER OF FOREIGN AFFAIRS OF THE NETHERLANDS, THE HAGUE. SENTENCE IN PARAGRAPH 5 SHOULD READ: "WE WOULD LIKE TO THINK YOUR GOVERNMENT WOULD BE WILLING TO CONSIDER A SHARE OF THE ORDER OF TWO PERCENT IN THE TOTAL OF THE FUND. APPROACHES . . ."

FOR KUWAIT: HIS EXCELLENCY SHEIKH SABAH AL-AHMAD AL-JABIR AL-SABAH, MINISTER OF FOREIGN AFFAIRS OF KUWAIT, KUWAIT. SENTENCE IN PARAGRAPH 5 SHOULD READ: "WE WOULD LIKE TO THINK YOUR GOVERNMENT WOULD BE WILLING TO CONSIDER A SHARE OF THE ORDER OF ONE PERCENT IN THE TOTAL OF THE FUND. APPROACHES . . ."

FOR TEHRAN: HIS EXCELLENCY DR. ABBAS ALI KHALATBARY,
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MINISTER OF FOREIGN AFFAIRS OF IRAN, TEHRAN. SENTENCE IN PARAGRAPH 5 SHOULD READ: "WE WOULD LIKE TO THINK YOUR GOVERNMENT WOULD BE WILLING TO CONSIDER A CONTRIBUTION IN THE ORDER OF TEN MILLION DOLLARS PER YEAR TO THE FUND. APPROACHES . . ."

FOR DUBLIN: HIS EXCELLENCY DR. GARRET FITZGERALD, MINISTER FOR FOREIGN AFFAIRS OF IRELAND, DUBLIN. SENTENCE IN PARAGRAPH 5 SHOULD READ: "WE WOULD LIKE TO THINK YOUR GOVERNMENT WOULD BE WILLING TO CONSIDER A CONTRIBUTION TO THE FUND. APPROACHES . . ."
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FOR STOCKHOLM: HER EXCELLENCY KARIN SODER, MINISTER OF

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FOREIGN AFFAIRS OF SWEDEN, STOCKHOLM. SENTENCE IN PARA-
GRAPH 5 SHOULD READ: "WE WOULD LIKE TO THINK YOUR GOVERN-
MENT WOULD BE WILLING TO CONSIDER A SHARE OF THE ORDER
OF TWO PERCENT IN THE TOTAL OF THE FUND. APPROACHES . ."

4. BEGIN TEXT OF JOINT PROPOSAL: "INTERNATIONAL ECONOMIC
SUPPORT FOR A RHODESIAN SETTLEMENT: A PROPOSAL"

-- A POLITICAL SETTLEMENT IN RHODESIA, INVOLVING FIRST AN
INTERIM GOVERNMENT AND LATER AN INDEPENDENT GOVERNMENT OF
ZIMBABWE, WOULD REMOVE A SOURCE OF ACUTE CONFLICT AND
HELP ESTABLISH A CLIMATE CONDUCIVE TO ECONOMIC DEVELOP-
MENT IN CENTRAL AND SOUTHERN AFRICA. A POLITICAL SETTLE-
MENT, HOWEVER, WILL SET IN MOTION AN ECONOMIC TRANSITION
WHICH WILL BE MOST EFFECTIVE IF ACCOMPANIED BY MEASURES
DESIGNED TO REALIZE THE GROWTH POTENTIAL OF THE ECONOMY
AND RAPIDLY IMPROVE OPPORTUNITIES FOR ALL THE POPULATION
OF ZIMBABWE. THE RESPONSIBILITY FOR THE NECESSARY
ECONOMIC MEASURES AFTER INDEPENDENCE WILL REST PRIMARILY
WITH THE NEW GOVERNMENT, BUT IT IS ALREADY EVIDENT, IN
SPITE OF THE SPARSE DETAIL AT PRESENT AVAILABLE ABOUT
THE PRESENT STATE AND FUTURE PROSPECTS OF THE ECONOMY,
THAT SUBSTANTIAL INTERNATIONAL ECONOMIC ASSISTANCE AND
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EXTERNAL PRIVATE INVESTMENT WILL BE NEEDED. (A BRIEF
ASSESSMENT OF THE STATE OF THE RHODESIAN ECONOMY IS AT
ANNEX 1.)

-- WHEN A POLITICAL SETTLEMENT IS ACHIEVED, THE LIFTING
OF SANCTIONS, COMBINED WITH AID, WILL PROVIDE BOTH
ZIMBABWE AND ITS NEIGHBORS WITH NEW DEVELOPMENT PROS-
PECTS. DIFFERENT TRADE AND TRANSPORT PATTERNS WILL BE
ESTABLISHED. AFRICAN ZIMBABWEANS SHOULD HAVE EXPANDED
ACCESS TO BETTER JOBS IN MINING, INDUSTRY, COMMERCE AND
THE PUBLIC SERVICE. MORE BALANCED PATTERNS OF OWNER-
SHIP FOR FARMS, HOUSES AND BUSINESSES WILL EMERGE.
EXTERNAL ASSISTANCE CAN HELP THE PEOPLE OF ZIMBABWE
EFFECT THE SOCIAL AND ECONOMIC CHANGES REQUIRED TO TAKE
ADVANTAGE OF THESE NEW OPPORTUNITIES FOR A MORE PROSPER-
OUS AND BALANCED ECONOMY.

-- THE ABILITY OF AN INDEPENDENT GOVERNMENT OF ZIMBABWE
TO RAISE THE LIVING STANDARDS OF THE POOR MAJORITY
DEPENDS NOT ONLY ON THE DEVELOPMENT OF THE TRADITIONAL
SECTOR BUT ALSO ON EFFECTIVE ADMINISTRATION AND A HIGH
LEVEL OF OUTPUT IN THE MODERN SECTOR, WHICH ACCOUNTS FOR
THE GREATER PART OF RHODESIA'S EXPORT EARNINGS, INTERNAL
REVENUES, DOMESTIC PRODUCTION OF CONSUMER GOODS, AND
WAGE EMPLOYMENT OF AFRICAN ZIMBABWEANS. IT IS, THERE-

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FORE, OF THE GREATEST IMPORTANCE TO FIND WAYS TO
FACILITATE THE ECONOMIC TRANSITION WHILE MINIMIZING ITS
DISRUPTIVE EFFECT ON THE POTENTIAL FOR ECONOMIC GROWTH.
IT IS CRUCIAL THAT SKILLED WORKERS AND MANAGERIAL PER-
SONNEL ARE ENCOURAGED TO CONTINUE TO CONTRIBUTE TO THE
WELFARE AND PROSPERITY OF THE ECONOMY.

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-- THE UNITED STATES AND GREAT BRITAIN HAVE, THEREFORE,
AGREED TO COOPERATE IN HELPING TO ORGANIZE AN INTER-
NATIONAL ECONOMIC EFFORT IN SUPPORT OF A RHODESIAN SETTLE-
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MENT. THEY PROPOSE THE ESTABLISHMENT OF A ZIMBABWE
DEVELOPMENT FUND. THE PURPOSE OF THIS FUND WOULD BE TO
ASSIST THE NEW GOVERNMENT TO PROMOTE:

(I) BALANCED ECONOMIC AND SOCIAL DEVELOPMENT IN ZIMBABWE;
(II) RAPID EXPANSION OF ECONOMIC OPPORTUNITIES FOR AND
SKILLS OF THE AFRICAN MAJORITY;
(III) BASIC ECONOMIC SECURITY FOR ALL SECTIONS OF THE
POPULATION SO THAT THEY MIGHT CONTINUE TO CONTRIBUTE
THEIR SKILLS AND ENTHUSIASM TO THE DEVELOPMENT OF THE
COUNTRY.

-- THE DIFFERENT WAYS IN WHICH THE FUND COULD ASSIST IN
THESE OBJECTIVES ARE DESCRIBED IN MORE DETAIL IN ANNEX 2.
IN BRIEF, HOWEVER, THE FUND WOULD RESPOND TO REQUESTS
FROM THE ZIMBABWE GOVERNMENT TO SUPPORT SPECIFIC PRO-
POSALS FOR DEVELOPMENT PROJECTS AND PROGRAMS, FOR EXAMPLE,
IN AGRICULTURAL AND LAND REFORM, EDUCATION AND TRAINING,
AND SOCIAL AND ECONOMIC INFRASTRUCTURE. ITS EFFORTS
SHOULD ENCOURAGE COMMERCIAL CAPITAL FLOWS, ESPECIALLY
IN EXTRACTIVE, PROCESSING, AND MANUFACTURING INDUSTRIES,
SUPPORTED AS APPROPRIATE BY NATIONAL EXPORT CREDIT AND
INVESTMENT INSURANCE AGENCIES. THE FUND SHOULD BE PRE-
PARED TO PROVIDE BALANCE OF PAYMENTS SUPPORT DURING A
PERIOD OF ECONOMIC TRANSITION, ESPECIALLY TO ENABLE THE
GRADUAL RETURN TO NORMAL EXTERNAL RELATIONS AFTER THE
LIFTING OF SANCTIONS. THE FUND COULD ALSO PROVIDE
SUPPORT FOR, AND TAKE INTO ACCOUNT THE BALANCE OF PAY-
MENTS IMPLICATIONS OF, PROGRAMS DESIGNED TO ENCOURAGE
SKILLED LABOR AND MANAGERIAL PERSONNEL TO CONTRIBUTE TO
ZIMBABWE DEVELOPMENT AND TO EFFECT A SMOOTH TRANSITION
TO A MORE BALANCED PATTERN OF ACCESS TO OWNERSHIP OF
FARMS, HOUSES, AND BUSINESSES.

-- THE FUND SHOULD BE ESTABLISHED AS SOON AS POSSIBLE
AFTER THE ESTABLISHMENT OF AN INTERIM GOVERNMENT IN
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RHODESIA. EVEN BEFORE IT BEGAN TO BE FUNDED TO ANY CONSIDERABLE EXTENT, THE FUND COULD BEGIN WORKING WITH DEVELOPMENTAL INSTITUTIONS, EITHER ALREADY EXISTING OR TO BE ESTABLISHED BY THE ZIMBABWE GOVERNMENT. THE FUND COULD ASSIST BOTH THE INTERIM GOVERNMENT AND THE INDEPENDENT GOVERNMENT OF ZIMBABWE TO PLAN DEVELOPMENT PROJECTS AND PROGRAMS CONSISTENT WITH THE POLITICAL CHANGES WHICH WILL HAVE TAKEN PLACE WITHOUT DISRUPTION OF THE ECONOMY. THE FUND COULD, IN THE INITIAL PERIOD,

ALSO COORDINATE BILATERAL DEVELOPMENT ASSISTANCE, ESPECIALLY IN THE TRAINING OF AFRICANS IN TECHNICAL AND ADMINISTRATIVE SKILLS.

-- SINCE SPECIFIC DEVELOPMENT PROJECTS AND PROGRAMS FOR AN INDEPENDENT ZIMBABWE ARE NOT YET AVAILABLE, A PRECISE QUANTIFICATION OF THE RESOURCES NEEDED BY THE FUND IS NOT POSSIBLE. A PRELIMINARY ASSESSMENT, HOWEVER, SUGGESTS THAT CONTRIBUTIONS, ON CONCESSIONARY TERMS, FROM THOSE GOVERNMENTS WILLING TO PARTICIPATE IN THE FUND S;OULD BE AT A MINIMUM APPROACHING ONE BILLION DOLLARS AND AT A MAXIMUM RATHER LESS THAN ONE AND A HALF BILLION DOLLARS. THE FUND'S OBJECTIVES, AND THE FACT THAT EXPERIENCE SHOWS THAT ECONOMIC DEVELOPMENT PROJECTS TAKE A LONG TIME TO MATURE, WILL MAKE IT NECESSARY TO ENVISAGE A FAIRLY LONG PERIOD OF DISBURSEMENT OF THE FUND'S RESOURCES. IT IS SUGGESTED, HOWEVER, IN ORDER THAT THE MANAGEMENT OF THE FUND CAN PLAN ITS OPERATIONS IN THE KNOWLEDGE OF THE TOTAL AMOUNT OF ITS RESOURCES AND SO THAT IT CAN MEET EXTRAORDINARY BALANCE OF PAYMENTS DEMANDS ON ITS RESOURCES DURING AN ECONOMIC TRANSITION, CONTRIBUTIONS BY PARTICI-PATING GOVERNMENTS SHOULD BE MADE OVER A FIVE-YEAR PERIOD WITH THE LIKELIHOOD OF A LONGER PERIOD OF ACTUAL DISBURSEMENT IN MIND.

-- FLOWS OF BILATERAL CONCESSIONAL AID COULD, IT IS SUGGESTED, BE COUNTED AS PART OF THEIR CONTRIBUTION TO THE FUND, BUT THE GREATER PART OF EACH COUNTRY'S CON-TRIBUTION, AT LEAST DURING THE FIRST FIVE YEARS OF ITS OPERATION, SHOULD BE DIRECT TO THE FUND. ON THIS BASIS, INITIAL FINANCE ENVISAGED FOR THE FUND MIGHT BE SAY TWO-THIRDS OVER A FIVE-YEAR PERIOD IN CASH OR IN PROMISSORY

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NOTES, AND SAY ONE-THIRD ON CALL IF THE MANAGEMENT OF THE FUND SHOULD REQUIRE IT FOR THE FULFILLMENT OF ITS LONGER-TERM OBJECTIVES. THE METHOD BY WHICH THE CONTRIBUTIONS WERE MADE CAN BE DISCUSSED BETWEEN GOVERNMENTS AND NEED NOT NECESSARILY BE UNIFORM: FOR EXAMPLE, SOME GOVERNMENTS MIGHT PREFER TO CONTRIBUTE CASH AT REGULAR INTERVALS IN EQUAL INSTALLMENTS. OTHERS MIGHT PREFER TO MAKE AVAILABLE PROMISSORY NOTES FOR ENCASHMENT AS DISBURSEMENTS BY THE FUND REQUIRE, A METHOD PERMITTED IN REPLENISHMENT OF THE RESOURCES OF THE INTERNATIONAL DEVELOPMENT ASSOCIATION. THE QUESTIONS OF THE CURRENCIES IN WHICH THE CONTRIBUTIONS SHOULD BE MADE, AND THE DEGREE

AND STRUCTURE OF ANY ARRANGEMENT FOR TYING OF PROCUREMENT IN THE PARTICIPATING COUNTRIES AND PROVISION FOR THE LOCAL COSTS OF DEVELOPMENT PROJECTS CAN BE THE SUBJECT OF INTERGOVERNMENTAL CONSULTATION. THE NATURE OF THE ECONOMIC ASSISTANCE EXTENDED BY THE FUND SHOULD BE

SUCH THAT THE CONTRIBUTIONS OF PARTICIPATING GOVERNMENTS WOULD BE EXPECTED TO QUALIFY AS OFFICIAL DEVELOPMENT ASSISTANCE IN ACCORDANCE WITH THE CRITERIA OF THE DEVELOPMENT ASSISTANCE COMMITTEE.

-- ON THIS BASIS, THE GOVERNMENT OF THE UNITED STATES WOULD, SUBJECT TO THE AUTHORIZATION AND APPROPRIATION OF FUNDS BY THE U.S. CONGRESS, BE PREPARED TO CONTRIBUTE 40 PERCENT TO THE TOTAL RESOURCES OF THE FUND UP TO A MAXIMUM OF $520 MILLION, THE MAJOR PART A DIRECT CONTRI-

BUTION TO THE FUND AND THE REST IN THE FORM OF BILATERAL ASSISTANCE; AND THE GOVERNMENT OF THE UNITED KINGDOM WOULD BE PREPARED, SUBJECT TO PARLIAMENTARY APPROVAL, TO CONTRIBUTE 15 PERCENT OF THE RESOURCES PROVIDED DIRECTLY TO THE FUND, UP TO A MAXIMUM OF 75 MILLION POUNDS, AND IN ADDITION TO PROVIDE 41 MILLION POUNDS OF BILATERAL AID, OVER A FIVE-YEAR PERIOD. THE U.S. AND BRITISH CONTRIBUTIONS WOULD BE CONDITIONAL ON EACH OTHER AND ON CONTRIBUTIONS BEING FORTHCOMING FROM OTHER COUNTREIS ON AN EQUITABLE BASIS.

-- THE FUND WILL ALSO FACILITATE ACTION BY AGENCIES OF DONOR COUNTRIES TO MAKE APPROPRIATE NON-CONCESSIONAL LOANS AND GUARANTEES TO ENCOURAGE COMMERCIAL TRADE AND PRIVATE INVESTMENT FLOWS TO ZIMBABWE. THESE WOULD BE ADDITIONAL TO THE CONCESSIONARY CONTRIBUTIONS DISCUSSED ABOVE.

-- VOTING ARRANGEMENTS FOR POLICY DECISIONS SHOULD BE

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RELATED TO FINANCIAL CONTRIBUTIONS BUT WOULD NOT NECESSARILY BE DIRECTLY PROPORTIONAL TO THEM. IT IS NOT ENVISAGED THAT THE FUND WOULD NEED A MANAGERIAL STAFF OF ITS OWN; IT WOULD DRAW ON THE CAPABILITIES OF EXISTING MULTILATERAL INSTITUTIONS SUCH AS THE WORLD BANK AND OTHER UNITED NATIONS AGENCIES. THE FUND COULD ALSO PROVIDE SUPPORT FOR REGIONAL DEVELOPMENT PROJECTS AND TAKE PART IN ANY CONSORTIUM OR CONSULTATIVE GROUP ESTABLISHED TO COORDINATE DEVELOPMENT ASSISTANCE TO ZIMBABWE AND RELATE IT TO DEVELOPMENT AID TO THE SOUTHERN AFRICA REGION AS A WHOLE.
END TEXT OF JOINT PROPOSAL.
END CONFIDENTIAL.

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BEGIN CONFIDENTIAL.
5. BEGIN TEXT OF ANNEX 1: "THE ZIMBAPWE ECO4OMY"
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-- ZIMBABWE IS WELL-ENDOWED WITH NATURAL RESOURCES AND DESPITE THE DUAL NATURE OF THE ECONOMY THE LONG-RUN PROSPECTS, BASED UPON MORE BALANCED DEVELOPMENT AND OPPORTUNITIES FOR ALL SECTIONS OF THE POPULATION, ARE GOOD. THE PRESENT STATE OF THE RHODESIAN ECONOMY, HOWEVER, IS CRITICAL AND THE SUSTAINING OF THE ECONOMY IN THE IMMEDIATE FUTURE, TOGETHER WITH THE REALIZATION OF ITS POTENTIAL, WILL REQUIRE CAREFUL ECONOMIC MANAGEMENT, THE FORMULATION OF AN APPROPRIATE NATIONAL DEVELOPMENT STRATEGY, AND SUBSTANTIAL INTERNATIONAL DEVELOPMENT AID TO ASSIST IN ITS IMPLEMENTATION.

-- THE POPULATION OF RHODESIA CONSISTS OF 6 MILLION AFRICANS AND 275,000 OF OTHER RACIAL ORIGIN, INCLUDING ABOUT 10,000 ASIANS, 30,000 OF PORTUGUESE EXTRACTION WHO FLED FROM MOZAMBIQUE, AND A SIGNIFICANT GREEK POPULATION. THE SEPARATE EDUCATION SYSTEM FOR AFRICANS HAS EFFECTIVELY LIMITED THEIR OPPORTUNITIES AT ALL LEVELS. ACCESS TO TECHNICAL EDUCATION AND TRAINING IS PARTICULARLY LIMITED AND THE PRACTICE OF JOB RESERVATION MEANS A MARKED ABSENCE OF AFRICANS IN SKILLED AND MANAGERIAL POSITIONS IN BOTH THE PUBLIC AND PRIVATE SECTORS. MANY AFRICAN GRADUATES REMAIN ABROAD. THE BULK OF THE AFRICAN POPULATION RESIDES WITHIN THE TRIBAL TRUST AREAS ALTHOUGH, SINCE ABOUT 1 MILLION AFRICANS HAVE WAGE EMPLOYMENT IN THE MODERN SECTOR, THERE IS CONSIDERABLE SEPARATION OF FAMILIES AND A LACK OF ADULT MALES IN THESE AREAS.

-- THE RHODESIAN ECONOMY CONSISTS OF A LARGE MODERN SECTOR (INCLUDING PUBLIC ADMINISTRATION, COMMERCIAL

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AGRICULTURE, BASIC SERVICES, MINING AND MANUFACTURING) WHICH GENERATES OVER 80 PERCENT OF RECORDED GNP, AND PROVIDES SUBSTANTIAL WAGE EMPLOYMENT, DOMESTIC CONSUMPTION GOODS, AND THE PRINCIPAL SOURCES OF FOREIGN EXCHANGE EARNINGS, AND A TRADITIONAL, LARGELY SUBSIS-

TENCE, AGRICULTURAL SECTOR SUFFERING FROM CONSIDERABLE LAND PRESSURE AND INADEQUATE SERVICES.

-- ASSOCIATED WITH THE IMPOSITION OF SANCTIONS THE MODERN SECTOR HAS UNDERGONE SOME RESTRUCTURING, WITH GREATER EMPHASIS ON IMPORT SUBSTITUTION AND DIVERSIFICATION. THE SHARE OF THE MANUFACTURING SECTOR IN THE ECONOMY HAS RISEN SINCE 1965 AND COMMERCIAL AGRICULTURAL PRODUCTION HAS BEEN BROADENED FROM ITS PREVIOUS CONCENTRATION ON TOBACCO TO INCLUDE CATTLE, MAIZE AND WHEAT.

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THE VOLUME OF MINERAL PRODUCTION HAS ALMOST DOUBLED.

-- DESPITE THE RESILIENCE AND GROWTH WHICH THE RHODESIAN ECONOMY SHOWED UNTIL 1974, IT HAS SINCE BEEN SERIOUSLY AFFECTED BY SANCTIONS (INCLUDING THE CLOSURE OF THE MOZAMBIQUE BORDER IN 1976), THE WORLD RECESSION (PARTICULARLY AS IT AFFECTS SOUTH AFRICA), AND THE ESCALATION OF VIOLENCE. DETAILED DATA ARE NOT AVAILABLE, BUT THE PROPORTION OF PUBLIC EXPENDITURE DIVERTED FOR DEFENSE PURPOSES HAS INCREASED CONSIDERABLY AND TAKING ACCOUNT OF LOANS TO THE PARA-STATAL SECTOR THE GOVERNMENT HAS SUSTAINED AN OVERALL BUDGET DEFICIT THROUGHOUT THE 1970'S.

-- WHILE RHODESIA HAS CONTINUED TO ACHIEVE A NET SURPLUS ON MERCHANDISE TRADE, THERE HAS BEEN A MARKED REDUCTION IN THE VOLUME AND VALUE OF TRADE IN RELATION TO NATIONAL INCOME. THE DEFICIT ON INVISIBLES HAS WORSENED IN RECENT YEARS WITH THE LOSS OF REVENUE TO RHODESIA RAILWAYS FROM ZAMBIAN COPPER EXPORTS (SINCE 1973) AND WITH INCREASED TRADE COSTS FOR RHODESIAN IMPORTS AND EXPORTS WHICH NOW MUST BE CARRIED EXCLUSIVELY THROUGH SOUTH AFRICA. THE CURRENT BALANCE HAS BEEN INCREASINGLY IN DEFICIT SINCE 1972.

-- NO IMPROVEMENT IN FACTORS AFFECTING THE CURRENT

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ACCOUNT CAN BE EXPECTED DURING 1976. FOREIGN INDEBTED-
NESS HAS INCREASED AND FOREIGN EXCHANGE RESERVES ARE
THOUGHT TO BE LOW. INCREASINGLY STRINGENT IMPORT CON-
TROLS HAVE BEEN IMPOSED TO CONTAIN THE SITUATION,WHICH
HAS NOT ONLY REDUCED THE AVAILABILITY OF IMPORTED
CONSUMER GOODS BUT HAS PREVENTED DOMESTIC INDUSTRY FROM
OBTAINING SUFFICIENT SUPPLIES OF RAW MATERIALS, SPARES
AND REPLACEMENT MACHINERY, WITH WHICH TO MAINTAIN PRO-
DUCTION LEVELS AND EFFICIENT SERVICES.

-- WHILE THE ECONOMY AND BALANCE OF PAYMENTS WILL BENEFIT
FROM THE LIFTING OF SANCTIONS AND RESTORATION OF ECONOMIC
RELATIONS WITH THE REST OF THE WORLD, IT SHOULD NOT BE
ASSUMED THAT THIS IN ITSELF WILL PRODUCE AN EARLY AND
DRAMATIC IMPROVEMENT IN THE SITUATION. THE RE-OPENING
OF TRADITIONAL AND CHEAPER TRADE ROUTES AND THE ABILITY
TO BUY AND SELL OVERTLY IN WORLD MARKETS WILL BENEFIT
THE TERMS OF TRADE, ALTHOUGH TO WHAT EXTENT THE INVISIBLE
DEFICIT WILL BE REDUCED, FOR EXAMPLE BY THE RESUMPTION
OF TRANSIT TRAFFIC, IS NOT CLEAR GIVEN THE DEVELOPMENT OF
NEW COMMUNICATIONS SYSTEMS IN THE REGION OVER THE LAST
DECADE. IT MAY BE ASSUMED THAT MANUFACTURING INDUSTRY
ESTABLISHED IN RECENT YEARS WILL CONTINUE TO BE AFFORDED

SECRET
SOME DEGREE OF PROTECTION AND THE MANUFACTURING SECTOR
SHOULD BE ABLE TO INCREASE EXPORTS TO NEIGHBORING STATES.
HOWEVER, THE DEMANDS OF THE ECONOMY FOR ADDITIONAL IMPORTS
WILL BE CONSIDERABLE BOTH FOR THE RE-EQUIPMENT OF INDUSTRY
AND FOR PUBLIC INVESTMENT. IN ADDITION, THE STRUCTURAL
CHANGES THAT ARE LIKELY TO TAKE PLACE OVER THE NEXT FEW
YEARS COULD WELL RESULT IN OTHER CALLS ON FOREIGN EXCHANGE.

-- IT IS EVIDENT THAT A NEW ZIMBABWE GOVERNMENT WILL HAVE
SERIOUS SHORT TERM PROBLEMS IN TRYING TO AVOID A FURTHER
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DECLINE IN DOMESTIC ECONOMIC ACTIVITY, WHILE AT THE
SAME TIME HAVING TO FACE THE CHALLENGE OF FORMULATING
AND IMPLEMENTING A NATIONAL DEVELOPMENT STRATEGY TO
PROVIDE NEW OPPORTUNITIES FOR ALL SECTIONS OF THE POPULA-
TION AND ENSURE A WIDER DISTRIBUTION OF THE BENEFITS OF
ECONOMIC DEVLEOPMENT. CONSIDERABLE EMPHASIS WILL HAVE
TO BE PLACED ON EDUCATION AND TRAINING FOR THE AFRICAN
MAJORITY. A MAJOR EFFORT WILL BE NECESSARY TO DEVELOP
THE TRADITIONAL RURAL SECTOR AND INTEGRATE IT WITH THE
REST OF THE ECONOMY; THIS WILL REQUIRE, INTER ALIA, THE
MAINTENANCE OF AN EFFICIENT PUBLIC ADMINISTRAITON AND
ESSENTIAL INFRASTRUCTURE SERVICES. ANY FAILURE TO MAIN-
TAIN THE PRODUCTION OF THE MODERN SECTOR, IN PARTICULAR

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OUTPUT BOTH FOR DOMESTIC CONSUMPTION AND ALSO FOR EXPORT FROM LANDS AT PRESENT FARMED BY EUROPEANS, WOULD SERIOUSLY UNDERMINE THE ECONOMY AND AN INDEPENDENT ZIMBABWE GOVERNMENT'S ABILITY TO IMPLEMENT A MAJOR ECONOMIC DEVELOPMENT PROGRAM.

-- THE REALIZATION OF ZIMBABWE'S ECONOMIC POTENTIAL AND THE FUTURE WELFARE OF THE BULK OF THE POPULATION SUGGESTS THAT THERE SHOULD BE NO EARLY LARGE-SCALE REPLACEMENT OF EUROPEAN SKILLS, BUT RATHER A DELIBERATE CHANGE IN MANPOWER COMPOSITION AS RAPIDLY AS THE AFRICAN MAJORITY IS ABLE TO ACQUIRE AND DEPLOY THE NECESSARY SKILLS. LAND REFORM, FOLLOWING THE REPEAL OF THE LAND TENURE ACT, WILL NECESSARILY BE AN IMPORTANT FEATURE OF A RURAL DEVELOPMENT STRATEGY FOR ZIMBABWE. A WELL-ADMINISTERED AND ORDERLY LAND TRANSFER PROGRAM WILL NOT ONLY FACILITATE THE RESETTLEMENT OF MANY OF THOSE PRESENTLY CONFINED TO THE TRIBAL TRUST AND AFRICAN LAND PURCHASE AREAS, BUT IT WILL ALSO PROVIDE THE EUROPEAN COMMERCIAL FARMING SECTOR WITH SUFFICIENT CONFIDENCE TO ENCOURAGE THEM TO CONTINUE FARMING IN ZIMBABWE IN A MANNER THAT WILL MAINTAIN PRODUCTION AND ASSET VALUES.

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-- THE ABSENCE OF A DEVELOPMENT PLAN MAKES THE QUANTIFICATION OF THE LIKELY RESOURCE GAP OVER THE NEXT FEW YEARS IMPOSSIBLE AT THIS STAGE. INVESTMENT WILL CLEARLY HAVE TO BE EXPANDED CONSIDERABLY. THERE WILL PROBABLY BE SOME IMPROVEMENT IN PUBLIC SECTOR SAVINGS AND IN THE OVERALL ALLOCATION OF RESOURCES FOLLOWING A SETTLEMENT (WITH A REDUCTION IN DEFENSE EXPENDUTURE). PRIVATE CAPITAL CAN BE RELIED UPON IN SOME SECTORS (E.G. MINING AND MANUFACTURING) AND WITHIN ZIMBABWE'S DEBT SERVICE CAPACITY, COMMERCIAL CAPITAL INFLOWS HAVE A ROLE TO PLAY. WHILE IT IS APPRECIATED THAT THE STRENGTH OF THE ECONOMY AND ITS GROWTH POTENTIAL CAN PRODUCE SUBSTANTIAL RESOURCES FOR IMPROVING THE LIFE OF ALL ZIMBABWEANS, THERE IS NO DOUBT THAT IT WILL ALSO REQUIRE SUBSTANTIAL CONCESSIONAL AID FLOWS IN THE YEARS AHEAD.
END TEXT OF ANNEX 1.
END CONFIDENTIAL.

BEGIN CONFIDENTIAL:
6. BEGIN TEXT OF ANNEX 2: "ZIMBABWE DEVELOPMENT FUND: POSSIBLE PROGRAM AREAS"

-- THE ZIMBABWE DEVELOPMENT FUND WOULD GIVE SUPPORT, AND HELP MOBILIZE SUPPORT FROM OTHER INSTITUTIONS, FOR A BALANCED DEVELOPMENT PROGRAM FOR ZIMBABWE. IT WOULD

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WORK WITH THE ZIMBABWE GOVERNMENT AND OTHER ZIMBABWE INSTITUTIONS, BILATERAL AND MULTILATERAL DEVELOPMENT ASSISTANCE AGENCIES, FOREIGN GOVERNMENT AGENCIES THAT ISSUE OR GUARANTEE TRADE CREDITS OR INSURE PRIVATE INVESTMENT, AND OTHER APPROPRIATE AGENCIES.

-- DETAILS OF SPECIFIC PROGRAMS THAT THE FUND MIGHT SUPPORT CAN BE FINALLY DECIDED ONLY AFTER MUCH MORE INFORMATION HAS BECOME AVAILABLE AND AFTER CONSULTATIONS WITH THE ZIMBABWE GOVERNMENT. IT MAY BE DESIRABLE FOR THE FUND TO SUPPORT AN INTERNATIONAL ASSISTANCE MISSION,

ORGANIZED BY THE WORLD BANK, AND DRAWING ON THE CAPABILITIES OF BILATERAL AID AGENCIES AND EXISTING MULTILATERAL INSTITUTIONS. THIS MISSION COULD ASSESS MORE ACCURATELY ZIMBABWE'S ECONOMIC DEVELOPMENT PROSPECTS AND IDENTIFY PROJECTS AND PROGRAMS THAT THE FUND AND THE INTERNATIONAL COMMUNITY MIGHT SUPPORT. THOSE PROGRAM AREAS OF LIKELY INTEREST TO THE FUND INCLUDE:

(I) PUBLIC ADMINISTRATION AND INSTITUTIONAL DEVELOPMENT;

(II) AGRICULTURE AND LAND REFORM;

(III) COMMERCE, INDUSTRY AND MINING;

(IV) EDUCATION AND TRAINING;

(V) SOCIAL AND ECONOMIC INFRASTRUCTURE; AND

(VI) INTERNATIONAL FINANCE.

-- SUPPORT BY THE FUND IN THESE AREAS MIGHT BE DIRECT SUPPORT OF SPECIFIC PROJECTS AND PROGRAMS OR IT MIGHT BE INDIRECT THROUGH GENERAL BALANCE OF PAYMENTS SUPPORT THAT WILL ENHANCE THE BROAD CAPABILITIES OF THE ZIMBABWE GOVERNMENT TO UNDERTAKE PROJECTS AND PROGRAMS.

PUBLIC ADMINISTRATION AND INSTITUTIONAL DEVELOPMENT

-- PUBLIC AND PARASTATAL INSTITUTIONS WILL HAVE TO PERFORM EFFECTIVELY DURING THE TRANSITION IF THE SIGNIFICANT DEVELOPMENT OPPORTUNITIES OUTLINED IN ANNEX I ARE TO BE REALIZED. THERE WILL BE A NEED TO EXPAND RAPIDLY JOB OPPORTUNITIES FOR AFRICAN ZIMBABWEANS IN THE PUBLIC SECTOR. YET MUCH OF THE EXISTING SKILLED AND MANAGERIALPERSONNEL MAY HAVE TO BE RETAINED, AT LEAST FOR A WHILE, AS THE DEMANDS ON AN EFFECTIVE FUNCTIONING

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CIVIL SERVICE ARE LIKELY TO EXPAND DURING A TRANSITION PERIOD.

-- TRAINING WILL BE A CRITICAL ELEMENT TO SOUND PUBLIC ADMINISTRATION. WHILE DISCUSSED GENERALLY IN A LATER SECTION OF THIS ANNEX, TRAINING REQUIREMENTS FOR THE PUBLIC SERVICE AND PARASTATAL ORGANIZATIONS WILL PROBABLY BE A FIRST PRIORITY OF THE NEW GOVERNMENT. INSTITUTES OF PUBLIC ADMINISTRATION ORGANIZED BY A NEW GOVERNMENT AND OTHER FORMS OF INSTITUTIONAL SUPPORT MAY MERIT SUPPORT FROM THE DEVELOPMENT FUND.

-- ANOTHER REQUIREMENT WILL PROBABLY BE TO PROVIDE JOB SECURITY AND BENEFITS FOR THOSE CIVIL SERVANTS WILLING TO STAY AND CONTRIBUTE THEIR SKILLS. THE ZIMBABWE GOVERNMENT WOULD BE EXPECTED TO HONOR EXISTING ARRANGE-MENTS FOR EMPLOYEE BENEFITS, INCLUDING PENSIONS. GENERAL SUPPORT PROVIDED BY THE ZIMBABWE DEVELOPMENT FUND SHOULD ENABLE THE ZIMBABWE GOVERNMENT TO MEET THE EXPENSES OF JOB SECURITY AND BENEFIT PROGRAMS ASSOCIATED WITH A RESTRUCTURING OF THE CIVIL SERVICE.

AGRICULTURE AND LAND REFORM

IN RHODESIA THERE ARE PARALLEL MODERN AND TRADITIONAL AGRICULTURAL SECTORS. THE NEW GOVERNMENT WILL UNDOUBTEDLY REVISE THE LAND TENURE ACT OF 1969 WITH A VIEW TO A MORE BALANCED AND MORE ECONOMIC ALLOCATION OF LAND, WHILE SUSTAINING PRODUCTION IN THE MODERN SECTOR AND IMPROVING PRODUCTIVITY IN THE TRADITIONAL.

-- THE FUND MIGHT WANT TO SUPPORT GOVERNMENT PROGRAMS TO INCREASE PRODUCTIVITY IN THE TRIBAL TRUST LANDS AND THE AFRICAN PURCHASE AREAS. THESE LANDS PRESENTLY CONSTITUTE ABOUT 45 PERCENT OF THE AREA IN RHODESIA. THEY ARE OFTEN DRY, ENDOWED WITH POOR SOILS,

OVER-POPULATED, FAR FROM MAJOR MARKETS, SERVICED BY INADEQUATE TRANSPORT LINKS AND FARMED WITHOUT MODERN TECHNIQUES. GOVERNMENT PROGRAMS CAN BE ENVISAGED TO IMPROVE FARM PRACTICE AND TECHNOLOGIES; TO EXPAND AND INVIGORATE EXTENSION SERVICES; ORGANIZE THE DISTRIBUTION OF SEED, FERTILIZER AND PESTICIDES; IMPROVE TRANSPORT

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AND MARKETING FACILITIES; AND INTENSIFY AGRICULTURAL
RESEARCH.

-- THE ZIMBABWE GOVERNMENT WILL ALSO WANT TO INCREASE THE
LAND AREA FARMED BY AFRICANS. THE 45 PERCENT OF THE
AREA NOW RESERVED FOR EUROPEANS IS MUCH MORE SPARSELY
SETTLED AND NOT CULTIVATED OR GRAZED AS INTENSIVELY
AS THE TRIBAL TRUST LANDS. THIS SHOULD PROVIDE
OPPORTUNITIES FOR RESETTLEMENT. CRITICAL PROBLEM TO BE
FACED BY THE NEW GOVERNMENT WILL BE TO ENHANCE
OPPORTUNITIES FOR AFRICAN FARMERS TO ACQUIRE AND USE LAND
IN AREAS FORMERLY RESERVED FOR EUROPEANS WHILE AT THE
SAME TIME PRODUCTION, EXPORTS, AND INTERNAL REVENUE
DERIVED FROM THE AGRICULTURAL SECTOR ARE KEPT RESILIENT.

-- THE TRANSITION TO A NEW OWNERSHIP STRUCTURE OF LAND
COULD TAKE A NUMBER OF DIFFERENT FORMS. FOR EXAMPLE,
AFRICAN FARMER OPPORTUNITIES COULD BE ENHANCED THROUGH
RESETTLEMENT SCHEMES IN WHICH LARGE AREAS WERE PURCHASED,
SUBDIVIDED, AND REALLOCATED TO AFRICAN FARMERS.
RESETTLEMENT SCHEMES OF THIS SORT MIGHT BE ACCOMPANIED BY
INFRASTRUCTURE PROJECTS FOR NEW ACCESS ROADS, VILLAGES,
HEALTH, EDUCATION AND OTHER SOCIAL SERVICES; NEW
AGRICULTURAL PROCESSING FACILITIES; AND PURCHASE AND
PRODUCTION LOANS FOR NEW AFRICAN FARMERS.

-- ANOTHER WAY FOR AFRICANS TO BE GIVEN ENHANCED
OPPORTUNITIES IS THROUGH GOVERNMENT-FINANCED MORTGAGE
SCHEMES IN WHICH AFRICANS ARE GIVEN LOANS TO PURCHASE
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FARMS IN AREAS NOW RESERVED FOR EUROPEANS. THERE MAY BE
A VARIETY OF SCHEMES PROPOSED TO EFFECT AN ORDERLY
PROCESS OF LAND TRANSFER AND THE ZIMBA0WE DEVELOPMENT FUND
SHOULD BE PREPARED TO SUPPORT A NUMBER OF THEM. PROJECTS
SUPPORTED BY THE FUND, OF COURSE, WOULD BE EVALUATED IN
TERMS OF THEIR CONTRIBUTION TO ECONOMIC DEVELOPMENT AND
WOULD BE EXPECTED TO PROVIDE OPPORTUNITIES FOR EXISTING
OWNERS OF FARM ASSETS TO SELL AT FAIR VALUATION.

COMMERCE, INDUSTRY AND MINING

-- MANUFACTURING, MINING, MODERN COMMERCE AND A RANGE OF
MODERN SERVICE SECTORS EMPLOY OVER HALF A MILLION AFRICAN

ZIMBABWEANS AND GENERATE OVER 80 PERCENT OF RECORDED GNP.
THE GROWTH OF THESE SECTORS IS ESSENTIAL TO PROVIDE
EMPLOYMENT OPPORTUNITIES AND INCREASED INCOME POTENTIAL
FOR AFRICANS.

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-- THE ZIMBABWE DEVELOPMENT FUND MIGHT WANT TO SUPPORT PROJECTS FOR TRAINING OF AFRICAN MANAGERS AND TECHNICAL STAFF; TECHNICAL ADVICE AND SUPPORT SERVICES FOR AFRICAN-OWNED SMALL BUSINESSES; AND LOANS TO AFRICAN INDIVIDUALS TO PURCHASE EXISTING BUSINESS ESTABLISHMENTS.

-- A SUBSTANTIAL PORTION OF THE INVESTMENT NEEDED IN MODERN INDUSTRY, MINING, AND COMMERCE, HOWEVER, IS LIKELY TO BE PROVIDED BY FOREIGN PRIVATE CAPITAL. THE ZIMBABWE DEVELOPMENT FUND, AT THE REQUEST OF THE ZIMBABWE GOVERNMENT, COULD WORK WITH PUBLIC AGENCIES AND PRIVATE SECTOR GROUPS TO FACILITATE THE FLOW OF PRIVATE CAPITAL TO AN INDEPENDENT ZIMBABWE. FOR EXAMPLE, THE FUND MIGHT WORK CLOSELY WITH THE INTERNATIONAL FINANCE CORPORATION OF THE WORLD BANK GROUP AND THE BERNE UNION ASSOCIATION OF PUBLIC AGENCIES THAT PROVIDE EXPORT CREDITS, GUARANTEES AND INVESTMENT INSURANCE.

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EDUCATION AND TRAINING

-- HISTORICALLY, IMMIGRATION HAS BEEN THE PRIMARY SOURCE OF SEMI-SKILLED AND MANAGERIAL LABOR. MAJORITY RULE SHOULD BRING A LARGE EXPANSION OF OPPORTUNITIES FOR AFRICAN ZIMBABWEANS IN SKILLED AND MANAGERIAL POSTS, PARTICULARLY IN THE PUBLIC SECTOR BUT ALSO IN PRIVATE INDUSTRY. THERE ARE, HOWEVER, MANY AFRICAN ZIMBABWEANS WITH UNIVERSITY DEGREES WHO RESIDE OUT OF THE COUNTRY AND WHO MAY BE EXPECTED TO RETURN HOME AFTER A SETTLEMENT. NEVERTHELESS LACK OF SKILLED LABOR IS VIEWED BY MANY RHODESIANS AS THE PRIMARY CONSTRAINT ON RAPID ECONOMIC GROWTH. THIS CONSTRAINT COULD BE INTENSIFIED AS THE COUNTRY MOVES TOWARD MAJORITY RULE.

-- REDRESSING THE IMBALANCE IN THE FORMAL EDUCATIONAL SYSTEM IS LIKELY TO BE A PRIORITY CONCERN OF THE NEW ZIMBABWE GOVERNMENT. SUPPORT FROM THE ZIMBABWE DEVELOPMENT FUND MAY BE REQUESTED TO HELP REDRESS IMBALANCES IN PUPIL/TEACHER RATIOS AND IN THE QUALITY OF AND FACILITIES FOR INSTRUCTION. SUPPORT MAY BE REQUESTED FOR A REORIENTATION OF THE SYSTEM TO GIVE MORE EMPHASIS TO PRIORITY AREAS SUCH AS AGRICULTURAL, VOCATIONAL AND TECHNICAL SKILLS TRAINING.

-- INFORMAL TRAINING MIGHT ALSO BE STRENGTHENED. FOR EXAMPLE, INCENTIVES FOR ON-THE-JOB TRAINING AND APPRENTICE PROGRAMS COULD BE SUPPORTED BY THE GOVERNMENT THROUGH TAXES OR DIRECT SUBSIDY.

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-- THE INTERNATIONAL COMMUNITY COULD MOVE RAPIDLY
TO SUPPORT PROGRAMS IN EDUCATION AND TRAINING AFTER
THE ZIMBABWE DEVELOPMENT FUND IS ESTABLISHED. INITIAL
EFFORTS MAY HAVE TO CONCENTRATE ON A CRASH PROGRAM OF
TRAINING IN PUBLIC ADMINISTRATION AND MANAGEMENT.
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SOCIAL AND ECONOMIC INFRASTRUCTURE

-- SOCIAL INFRASTRUCTURE PROGRAMS ARE LIKELY TO RECEIVE
CONSIDERABLE ATTENTION BY AN INDEPENDENT ZIMBABWE
GOVERNMENT. FOR EXAMPLE, THERE WILL PROBABLY BE EMPHASIS
ON EXPANDING HEALTH AND NUTRITION PROGRAMS FOR AFRICANS
IN BOTH RURAL AND URBAN AREAS. COMMUNITY CENTERS AND
ADULT EDUCATION FACILITIES MAY BE EXPANDED.

-- ANOTHER AREA OF IMPORTANCE WILL BE HOUSING.
GOVERNMENT-SPONSORED PROGRAMS OF LOW COST HOUSING AND
SITE AND SERVICES PROJECTS MAY MERIT SUPPORT BY THE
ZIMBABWE DEVELOPMENT FUND.

-- AS ZIMBABWE MOVES TOWARD INDEPENDENCE, EMBASSIES WILL
BE ESTABLISHED, FOREIGN BUSINESS FIRMS WILL SEEK
OPPORTUNITIES FOR INVESTMENT, AND TECHNICIANS AND
REPRESENTATIVES OF INTERNATIONAL AGENCIES MAY COME TO
ZIMBABWE. THIS MAY INCREASE SHARPLY THE DEMAND FOR
RESIDENTIAL HOUSING, DESPITE FEARS OF SOME THAT HOUSING
VALUES WOULD BE THREATENED BY A TRANSITION TO MAJORITY
RULE. IN ORDER TO ENABLE ZIMBABWE AFRICANS TO HAVE
ACCESS ON REASONABLE TERMS TO HOUSING IN RESIDENTIAL AREAS
NOW EXCLUSIVELY OCCUPIED BY EUROPEANS AND TO PRESERVE
A STABLE AND ORDERLY HOUSING MARKET, VARIOUS GOVERNMENT
PROGRAMS MAY BE REQUIRED. THIS MIGHT INCLUDEA FACILITY
TO PROVIDE HOME MORTGAGES FOR AFRICANS. THE FACILITY
MIGHT ALSO PROVIDE OPPORTUNITIES FOR HOME OWNERS TO SELL,
ON A BASIS OF VALUATION TO BE DETERMINED, DURING A
TRANSITION PERIOD.

-- THE MAINTENANCE AND CONTINUED DEVELOPMENT OF RHODESIAN
ECONOMIC INFRASTRUCTURE IS VITAL TO THE COUNTRY'S
ECONOMY AND CRITICAL TO THE ECONOMIES OF NEIGHBORING
COUNTRIES. IT WILL BE PARTICULARLY IMPORTANT TO ASSESS
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THE CURRENT STRUCTURE IN TERMS OF THE ECONOMY AFTER

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TRANSITION. PREVIOUS IMBALANCE MAY SUGGEST NEW TRUNK ROAD DEVELOPMENT, FOR EXAMPLE, BUT WILL CERTAINLY SUGGEST MAJOR INVESTMENT IN FEEDER ROADS, RURAL ELECTRIFICATION AND VILLAGE WATER SUPPLIES. THE REQUIREMENTS ASSOCIATED WITH AGRICULTURAL SETTLEMENT WILL BE PARTICULARLY IMPORTANT AND IMMEDIATE.

-- WITH REGARD TO THE TRANSPORT STRUCTURE, IT MAY BE NECESSARY TO IMPORT NEW SUPPLIES OF RAIL AND ROAD EQUIPMENT AND SPARE PARTS. THE LIFTING OF ECONOMIC SANCTIONS SHOULD ALLOW ZIMBABWE TO REESTABLISH IMPORT AND EXPORT ROUTES NOW CLOSED, IN PARTICULAR THROUGH MOZAMBIQUE TO BEIRA. DEVELOPMENT EFFORTS MAY BE DIRECTED AT ENHANCING CAPACITY TO USE THESE.

INTERNATIONAL FINANCE

-- DURING THE PERIOD 1968 TO 1974, THE RHODESIAN ECONOMY WAS REMARKABLY STRONG. REAL GNP GREW AT AN ANNUAL RATE OF 8.3 PERCENT. INFLATION WAS HELD TO UNDER 4 PERCENT PER YEAR. WHILE THERE HAS BEEN GREATER INFLATION AND LITTLE OR NO GROWTH IN THE LAST TWO YEARS, THE GROWTH POTENTIAL OF THE ECONOMY CONTINUES TO EXIST. ASSUMING TRANSITION TO MAJORITY RULE WILL BRING A REOPENING OF ZIMBABWE'S BORDERS, WITHOUT MAJOR DISLOCATION, A RETURN TO A HIGH GROWTH PATTERN SEEMS LIKELY. OPENING OF THE BORDERS SHOULD STIMULATE THE ECONOMY THROUGH EASIER AND CHEAPER TRANSPORTATION AND THE OPENING OF POTENTIAL EXPORT MARKETS FOR HER NEW CONSUMER AND INTERMEDIATE AND CAPITAL GOODS INDUSTRIES.

-- ALTHOUGH DOMESTIC SAVING RATES HAVE BEEN EXCEPTIONAL, FOREIGN EXCHANGE AVAILABILITIES HAVE BEEN LIMITED BECAUSE OF SANCTIONS. WITH THE LIFTING OF SANCTIONS,

DEMANDS WILL BE MADE FOR THE INPUT OF FOREIGN CAPITAL AND RESUMPTION OF NORMAL REMITTANCES. THE PROVISION OF SUBSTANTIAL CONCESSIONAL ASSISTANCE BY THE FUND COULD ASSIST THE ZIMBABWE GOVERNMENT IN RESTORING A MORE NORMAL INTERNATIONAL PAYMENTS AND TRADING REGIME, THEREBY ENABLING IT TO TAKE FULL ADVANTAGE OF THE LIFTING OF SANCTIONS AND THE RESTORATION OF ECONOMIC RELATIONS WITH THE REST OF THE WORLD AND TO HONOR ITS INTERNATIONAL FINANCIAL OBLIGATIONS.

-- THE MEASURES DESCRIBED EARLIER IN THIS ANNEX SHOULD THEMSELVES PROVIDE A LARGE MEASURE OF ECONOMIC IMPROVEMENT AND SECURITY FOR THE AFRICAN COMMUNITIES.

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IT WILL BE NO LESS IMPORTANT FOR THE FUND TO TAKE INTO
ACCOUNT THE BALANCE OF PAYMENTS IMPLICATION OF SUCH

MEASURES DESIGNED BY THE ZIMBABWE GOVERNMENT TO ENCOURAGE
SKILLED ELEMENTS OF THE POPULATION TO REMAIN IN AN
INDEPENDENT ZIMBABWE TO HELP TO SUSTAIN AND EXPAND THE
ECONOMY. IN PARTICULAR, THE RESTORATION OF A MORE
NORMAL INTERNATIONAL PAYMENTS AND TRADING REGIME WOULD
ITSELF PERMIT THE GOVERNMENT TO MAINTAIN AN APPROPRIATE
FOREIGN EXCHANGE REMITTANCE FACILITY. THUS, THE
EXPERIENCED FARMER OR WORKER WHO HAD DECIDED IN THE
LIGHT OF THE MEASURES PROPOSED, TO REMAIN IN THE
COUNTRY FOR A NUMBER OF YEARS SHOULD BE ABLE TO DO SO
IN THE CONFIDENCE THAT IF HE EVENTUALLY DECIDED TO
DEPART, HIS SAVINGS COULD BE REMITTED ABROAD AT LEAST
OVER A SPECIFIED PERIOD.
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Message Attributes

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Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
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Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3637007
Secure: OPEN
Status: NATIVE
Subject: TEXTS OF LETTERS AND DOCUMENTATION ON ZIMBABWE DEVELOPMENT FUND
TAGS: PDEV, EGEN, RH
To: CARACAS
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/9102b7db-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
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